

AR12

**MONTREAL
LOCOMOTIVE
WORKS,
LIMITED**

ANNUAL REPORT



1961

BOARD OF DIRECTORS

PERRY T. EGBERT, *Chairman*

HENRY VALLE, *President*

JOHN E. L. DUQUET, Q.C.

PERCY M. FOX

WILSON D. LEGGETT, JR.

WILLIAM F. LEWIS

WILLIAM G. MILLER

J. GEOFFREY NOTMAN

JULES R. TIMMINS

COLIN W. WEBSTER

ROBERT W. WHITE

OFFICERS

PERRY T. EGBERT, *Chairman of the Board*

HENRY VALLE, *President*

JOHN J. NORRIS, *Vice-President, Comptroller and Treasurer*

KEITH D. LANDELL, *Commercial Vice-President*

HENRY M. BOURCIER, *Secretary*

Transfer Agents:

ROYAL TRUST COMPANY

MONTREAL, TORONTO, WINNIPEG, VANCOUVER

BANK OF MONTREAL TRUST COMPANY

64 WALL STREET, NEW YORK

Registrars:

MONTREAL TRUST COMPANY

MONTREAL, TORONTO, WINNIPEG, VANCOUVER

BANK OF MONTREAL TRUST COMPANY

64 WALL STREET, NEW YORK

1961

ANNUAL
REPORT
OF THE
DIRECTORS

MONTREAL LOCOMOTIVE WORKS, LIMITED



MONTREAL, QUEBEC

FINANCIAL FACTS IN BRIEF

	<u>1961</u>	<u>1960</u>
Income (Loss) before taxes	\$(659,000)	\$ 1,306,000
Income from sale of fixed assets	—	470,000
Income tax recoverable	226,000	—
Income taxes	—	542,000
Net adjustments	252,000	—
Net income (Loss) after taxes	(181,000)	1,234,000
Earnings (Loss) per share	(.26)	1.76
Dividends on common stock	700,000	700,000
Dividends per share on common stock	1.00	1.00
Earned surplus	9,393,000	10,274,000
Payrolls and various social security plans	2,256,000	3,326,000
Average number of employees	371	545
Additions to property, plant and equipment	675,000	429,000
Depreciation	349,000	342,000
Net working capital	8,860,000	10,010,000
Number of shareholders	5,113	5,288

ANNUAL REPORT OF THE DIRECTORS

TO THE SHAREHOLDERS:

Montreal Locomotive Works, Limited in 1961 sustained a net loss of \$181,000 equal to 26c per common share, as against net income of \$1,234,000 or \$1.76 per share in 1960.

While shipments from several of the Company's divisions improved in volume, deliveries in total showed a substantial decline.

The major Canadian railways did not purchase any diesel-electric locomotives during the year but the Company was successful in obtaining substantial orders for export to Argentina and Brazil. Contracts, however, were finalized too late in the year to enable any deliveries to be made during 1961.

The construction of specialized freight cars on orders for a total of 75 units was in the final stages at year-end and will be completed early in 1962. Production of rapid transit cars was commenced in the fourth quarter and the first prototype units are expected to be available in the first quarter of 1962.

Service operations were higher in 1961 as the upward trend in the rebuilding of locomotive components continued and was accompanied by an increase in the volume of replacement parts required by the Canadian railways.

Shipments of large feedwater heaters and other heat transfer equipment to the petroleum refining, petrochemical and steam-powered electric-generating industries in Canada were made at an improved rate over 1960. However, competition in the thermal products industry remains keen and price levels continue to be depressed.

The overall demand for capital goods in Canada was again lower in 1961, as compared with the previous year. This factor, together with the resultant intense competition for the lower volume of business, contributed to a reduction in shipments of steel mill equipment, weldments and other miscellaneous fabricated steel items. Shipments of pumps under the agreement with Goulds Pumps, Incorporated showed an improvement over 1960.

FINANCIAL REVIEW

In the calculation of the net loss for the year effect has been given to income taxes recoverable amounting to \$226,000 under the loss carry-back provisions of the Canadian Income Tax Act, and to the reversal of over-provisions made in prior years for income taxes and other liabilities no longer required amounting to \$252,000.

The operations for the year include a charge of \$166,000 for engineering development with respect to new products.

Depreciation for the year amounted to \$349,000, as compared with \$342,000

for 1960. During the year a change was made whereby former rates of depreciation on machinery and equipment which had been in use for a number of years in the past were consolidated into a new rate in line with the experience of the Company.

Expenditures for additions to plant and equipment were higher at \$675,000, as compared with \$429,000 in 1960. These expenditures were largely for equipment to manufacture diesel engine components and pumps.

Dividends in the amount of \$1.00 were declared at the regular quarterly rate of 25¢ per share as in 1960.

The continuation of the dividend payments and the expenditures for additions to plant and equipment, less the depreciation provided for the year, accounted in very large measure for the reduction in working capital from \$10,010,000 at the end of 1960 to \$8,860,000 at the close of 1961.

OUTLOOK

The backlog of orders at the year-end was valued at \$23,000,000 and represents a substantial increase over the \$5,200,000 at the same time last year.

Included in the backlog are the orders for diesel-electric locomotives received from Argentina and Brazil for 70 and 10 units respectively amounting to approximately \$15,000,000. The purchase of these locomotives is being financed under the long-term credit facilities provided by the Canadian Government. These orders required the close co-operation of all Government departments involved and without the invaluable assistance of the representatives in these departments, both in Canada and in the countries concerned, these orders would not have been obtained. Present schedules call for delivery of the locomotives to be completed in 1962.

Your Company is actively following additional requirements for locomotives in the export market. Further orders in this field, however, will depend to a large extent on the availability of long-term export financing by the Canadian Government.

With the completion of engineering required for the new rapid transit car product line, the first order for 36 cars from the Toronto Transit Commission is scheduled to be completed in 1962. The services of your Company have been offered to other municipalities in Canada who are considering the construction of subways. Numerous discussions and meetings have taken place with the municipal authorities involved and it is anticipated that MLW will be considered as a supplier of the rapid transit cars required.

Further expenditures for machinery and equipment to be used in the manufacture of parts for diesel engines and replacement purposes are planned for 1962. The upward trend in the volume of replacement parts requirements is expected to continue and, in addition, the orders on hand for spare parts to accompany the locomotives for Argentina and Brazil are expected to contribute to a further improvement in the level of this business.

Current orders on hand for heat transfer equipment for the petroleum refining,

petrochemical, natural gas and steam-powered electric-generating industries, as well as steam generating equipment for the Candu nuclear power plant, will provide an improvement in the volume of thermal products, as compared with 1961.

Under the terms of a five year research contract with the Atomic Energy of Canada Limited, a heat transfer laboratory was completed during the year. It is anticipated that this program will further improve MLW's ability to supply future nuclear power plant component requirements.

The current backlog for steel mill equipment, weldments, pumps, pulp and paper equipment and other miscellaneous fabricated steel items is slightly higher than at this time last year.

The agreement with Alco Products, Incorporated, under which any new products or other developments made by that company become available to MLW, continues in effect. The importance of this agreement was again emphasized during the year when a new improved 6 cylinder diesel engine with higher horse power rating became available for diesel-electric locomotives manufactured by your Company. The existence of this new engine facilitated to a large extent the obtaining of the order for 70 locomotives for Argentina.

CHANGES IN DIRECTORS AND OFFICERS

Effective February 1, 1962, Mr. William F. Lewis, who has returned to Alco Products, Incorporated to take up other duties, withdrew as President of the Company. Mr. Lewis will continue as a Director.

Mr. Henry Valle, who was formerly Vice-President of Marketing, was ap-

The 1800 h.p. road switcher shown above was delivered during the year to the Wabush Lake Railway Company.



pointed a Vice-President on April 28, 1961 and was elected to the Board of Directors on May 26, 1961. Effective February 1, 1962 he was elected President to replace Mr. William F. Lewis. Mr. Valle is a Canadian of broad experience, whose knowledge and energy place him in a position to make a substantial contribution toward the success of the Company.

Mr. William S. Morris who has served the Company as a Director since 1944 and as Vice-President since 1947, withdrew as Vice-President on April 28, 1961 and resigned from the Board of Directors on November 17, 1961. Mr. Morris' resignation was accepted with deep regret and with sincere appreciation for his devotion to the Company.

Mr. Herman Press who has served as Treasurer of the Company since 1937 and as a Director of the Company from 1947, withdrew from his office as Treasurer on April 28, 1961 and resigned from the Board of Directors on May 26, 1961. Mr. Press' resignation was also received with deep regret and sincere appreciation for his counsel and guidance.

Mr. John J. Norris, Comptroller, was appointed Treasurer on April 28, 1961 and was appointed Vice-President on September 8, 1961. He continues his duties as Comptroller and Treasurer.

Mr. Keith D. Landell was appointed Commercial Vice-President effective January 1, 1962.

EMPLOYEE RELATIONS

An increase of 5c per hour effective on October 26, 1961 was paid to hourly rated employees under the terms of a three year labour agreement signed on October 26, 1959. Salaried employees received corresponding increases.

CONCLUSION

The Company's Balance Sheet as at December 31, 1961, and related statements of Profit and Loss and Earned Surplus for the year, together with the Auditors' Report to shareholders, appear on the following pages. Comparative figures for the previous year also are included.

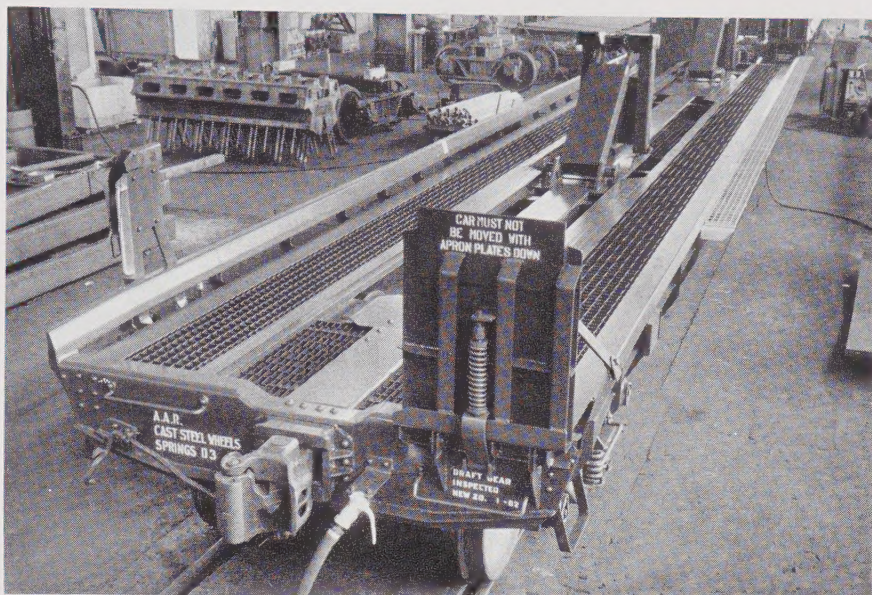
The Board of Directors gratefully acknowledges the continued co-operation and sustained efforts of its officers and employees and the confidence and support of shareholders and customers.

Respectfully submitted on behalf of the Board.

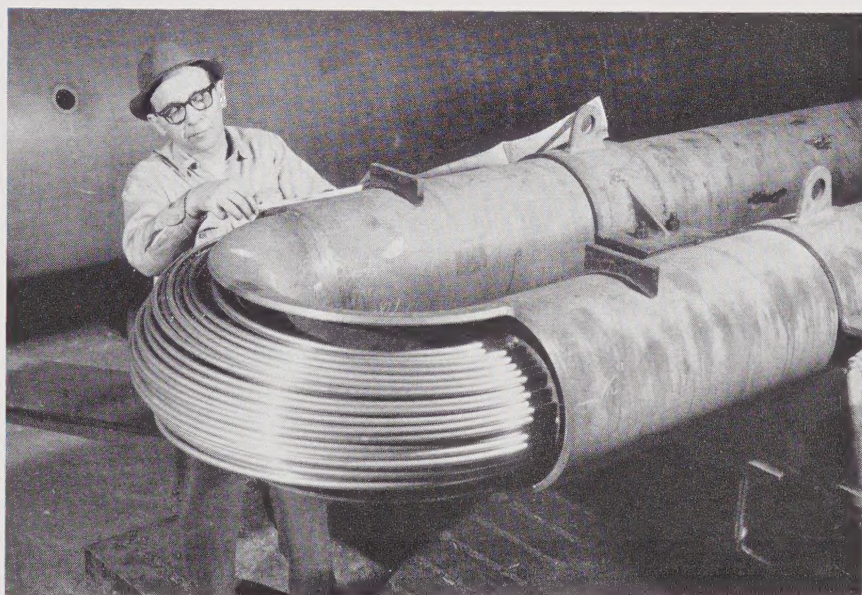
PERRY T. EGBERT,
Chairman of the Board

HENRY VALLE,
President

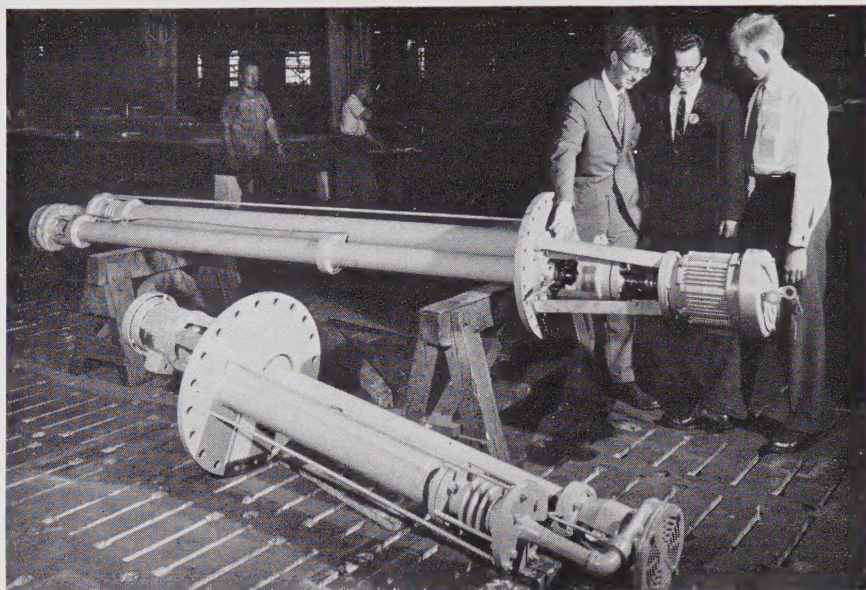
March 14, 1962
Montreal, Canada



Construction of highway-trailer flat cars and hopper cars for Canadian National Railways marked the first entry by the Company into the specialized freight car field.



This heat exchanger is part of the steam generating equipment being built by MLW for the nuclear power plant under construction at Douglas Point, Ont. by Atomic Energy of Canada Ltd. The equipment consists of 80 such heat exchangers, steam drums and ancillary equipment.



MLW-Goulds pumps, now manufactured at MLW, are sold and distributed across Canada. Here engineers examine the first pumps to come off the production line.



Research staff inspect the main control station in the new heat transfer laboratory. The research facilities, set up under a five-year agreement with Atomic Energy of Canada Ltd., are designed for the study of heat fluid flow and heat transfer problems.

MONTREAL LOCOMOTIVE WORKS, LIMITED

STATEMENT OF PROFIT AND LOSS

For the Years Ended December 31, 1961 and 1960

	<u>1961</u>	<u>1960</u>
Income (Loss) from operations.....	\$ (857,972)	\$ 986,075
Income from investments.....	199,106	319,950
	<u>\$ (658,866)</u>	<u>\$ 1,306,025</u>
Income from sale of fixed assets.....	—	469,951
Income tax recoverable — Loss carry-back.....	226,000	—
Provision for income taxes.....		542,000
Net Income (Loss).....	<u>\$ (432,866)</u>	<u>\$ 1,233,976</u>
Net adjustments arising from over-provision of prior years' provision for income taxes and other liabilities.....	252,000	—
Net Income (Loss) including net adjustments.....	<u><u>\$ (180,866)</u></u>	<u><u>\$ 1,233,976</u></u>
<i>Note: Included in the charges against income from operations are:</i>		
Depreciation.....	\$ 348,950	\$ 341,872
Remuneration of executive officers.....	85,825	134,600
Directors' fees.....	14,100	13,800
Legal fees and expenses.....	14,004	17,085

STATEMENT OF EARNED SURPLUS

For the Years Ended December 31, 1961 and 1960

	<u>1961</u>	<u>1960</u>
Earned surplus at January 1.....	\$10,273,859	\$ 9,739,883
Net Income (Loss) including net adjustments.....	(180,866)	1,233,976
	<u>\$10,092,993</u>	<u>\$10,973,859</u>
Dividends on common stock (\$1.00 per share).....	700,000	700,000
Earned Surplus at December 31.....	<u><u>\$ 9,392,993</u></u>	<u><u>\$10,273,859</u></u>

MONTREAL LOCOMOTIVE
BALANCE SHEET AS AT DECEMBER 31

ASSETS

	December 31 1961	December 31 1960
CURRENT ASSETS:		
Cash.....	\$ 345,635	\$ 1,005,745
Term Deposits.....	3,100,000	6,091,770
Accounts and notes receivable, less allowance for doubtful accounts (Note 1).....	1,747,906	1,585,010
Income tax recoverable.....	226,000	—
Inventories, at lower of cost or market, less reserve.....	5,874,412	3,355,725
Total Current Assets.....	<u>\$11,293,953</u>	<u>\$12,038,250</u>
INVESTMENT IN SUBSIDIARY COMPANY, at cost.....	\$ 5,000	\$ 5,000
FIXED ASSETS, on basis of cost:		
Land.....	\$ 32,999	
Buildings, machinery and equipment.....	<u>9,796,403</u>	9,829,402
Less: Accumulated depreciation.....	6,458,638	9,188,953
	<u>\$ 3,370,764</u>	<u>\$ 3,035,295</u>
PREPAID EXPENSES AND DEFERRED CHARGES.....	626,443	687,957
	<u>\$15,296,160</u>	<u>\$15,766,502</u>

Notes: (1) Accounts and notes receivable at December 31, 1961 include \$609,346 not maturing within one year. Accounts payable at December 31, 1961 include \$293,603 not payable within one year.

(2) On filing income tax returns for 1960 and prior years, the Company claimed for Federal tax purposes amounts for depreciation and past service pension costs in excess of the amounts charged to operations. This results in a provision for income tax in excess of the taxes otherwise payable and these provisions included in "Deferred Taxes on Income" are applicable to those future periods in which the amounts claimed for depreciation and past service costs may be less than the amounts charged to operations.

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MBER 31, 1961 AND 1960

LIABILITIES AND SHAREHOLDERS' OWNERSHIP

	December 31 1961	December 31 1960
CURRENT LIABILITIES:		
Dividends payable.....	\$ 175,000	\$ 175,000
Accounts payable (Note 1).....	1,762,346	830,317
Accrued payroll and other expenses.....	497,021	759,997
Advances received on contracts.....	—	46,005
Provision for income taxes.....	—	216,924
Total Current Liabilities.....	\$ 2,434,367	\$ 2,028,243
DEFERRED TAXES ON INCOME (Note 2).....	\$ 468,800	\$ 464,400
SHAREHOLDERS' OWNERSHIP:		
Common stock, without nominal or par value 700,000 shares authorized and issued.....	3,000,000	3,000,000
Earned Surplus.....	9,392,993	10,273,859
	\$12,392,993	\$13,273,859
	\$15,296,160	\$15,766,502

(3) Contingent liability at December 31, 1961 with respect to notes sold with recourse amounted to \$112,104.

(4) During the year a change was made whereby former rates of depreciation on machinery and equipment which had been in use for a number of years were consolidated into a new rate in line with the experience of the Company. Had this change not been made, the depreciation in 1961 would have been approximately \$90,000 more than the \$349,000 charged to operations.

Signed on behalf of the Board:

PERRY T. EGBERT, *Director*

HENRY VALLE, *Director*

AUDITORS' REPORT

DELOITTE, PLENDER, HASKINS & SELLS CHARTERED ACCOUNTANTS

MONTREAL TORONTO HAMILTON WINDSOR
WINNIPEG REGINA CALGARY EDMONTON
 PRINCE GEORGE VANCOUVER

215 ST. JAMES STREET WEST
MONTREAL 1, CANADA

To the Shareholders of

MONTREAL LOCOMOTIVE WORKS, LIMITED

We have examined the balance sheet of Montreal Locomotive Works, Limited as at December 31, 1961 and the statements of profit and loss and earned surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In accordance with the provisions of Section 118 of the Canadian Companies Act, we report that the accumulated loss of the subsidiary not consolidated amounting to \$11,400 has not been taken into account in the attached statement of profit and loss.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the company, the accompanying balance sheet and statements of profit and loss and earned surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1961 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent, except as explained in Note 4, with that of the preceding year.

Deloitte, Plender, Haskins & Sells
Chartered Accountants

January 25, 1962.

MLW SERVES THESE MARKETS

TRANSPORTATION

Diesel-electric locomotives
Rapid transit cars
Freight cars
Locomotive renewal parts
and services
Steel tires

PETROLEUM REFINING

Heat exchangers
Pressure vessels
Condensers
Reboilers
Towers
Pumps

CHEMICAL PROCESSING

Heat exchangers
Pressure vessels
Towers
Pumps

STEEL

Blast furnace components
Rolling mill machinery and
components
Pumps

PULP AND PAPER

Machinery and equipment
Pumps

MUNICIPALITIES

Water and sewer pipe
Pumps

POWER

Feedwater heaters
Evaporators
Penstocks
Welded steel pipe
Pumps

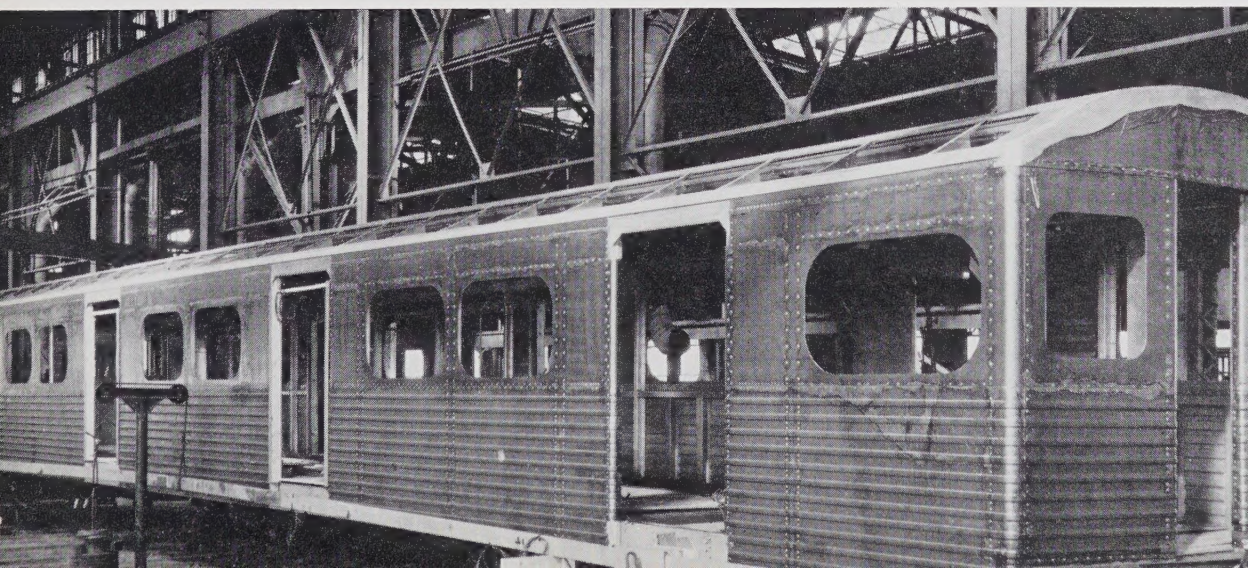
INLAND WATERWAYS

Lock gates and machinery
Welded steel pipe

GENERAL

Plate fabrication
Machine work
Weldments
Pumps

The first of the rapid transit cars being manufactured by MLW for the Toronto Transit Commission is shown undergoing structural tests. It is covered by a protective coating to prevent damage to the finish during construction.





MONTREAL LOCOMOTIVE WORKS, LIMITED

MONTREAL, QUEBEC